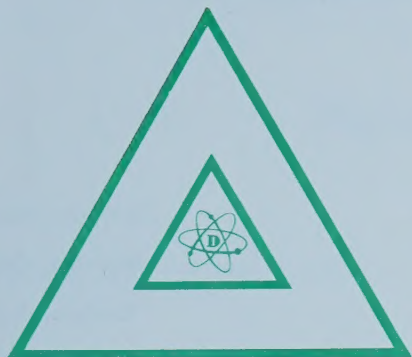


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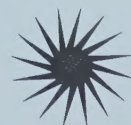
DELTA

ELECTRONICS LIMITED

REPORT DECEMBER 1970



70 RONSON DRIVE • REXDALE • ONTARIO • CANADA



DELTA ELECTRONICS LIMITED

DIRECTORS

G. A. ALLARD	Toronto, Ontario
A. J. CAMPBELL	Montreal, Quebec
T. A. CROSS	London, England
C. J. EVANS	Toronto, Ontario
F. T. METCALF	Guelph, Ontario

OFFICERS

T. A. CROSS	President
A. J. CAMPBELL	Vice-President
C. J. EVANS	General Manager
J. H. BAYCROFT, C.A.	Secretary-Treasurer

TRANSFER AGENTS

Guaranty Trust Company of Canada
Toronto, Ontario

AUDITORS

Riddell, Stead & Co.
Toronto, Ontario

EXECUTIVE OFFICES & PLANT

70 Ronson Drive
Rexdale, Ontario

SUBSIDIARY COMPANY

U.S.A. — Kenmore Electronics Inc., 40 Comet Avenue, Buffalo, N.Y.

DELTA ELECTRONICS LIMITED

President's Report

TO THE SHAREHOLDERS

As President of your Company, I submit herewith the report of its operations for the eight months ended December 31, 1970.

With the change in our financial year end from April 30 to December 31, it is difficult to provide accurate comparisons with the previous fiscal year. Sales were slightly higher than the same period in the previous fiscal year. In view of the continuing slow down in all areas of the economy, I am satisfied that your Company has adequately maintained its position.

Net earnings for the eight months were higher principally due to the non-recurrence of the customs assessments incurred in the previous fiscal year. The extraordinary item appearing in the accounts for the current fiscal period, relates to an exchange loss on foreign assets resulting from the freeing of the Canadian dollar.

As indicated in the notice of meeting, you are being asked to consider the purchase of the business and certain assets of Benco Television Associates. It is to be anticipated that this acquisition, if approved, will enhance the earnings potential of your Company. It is therefore without any reservations that I would recommend its approval.

On behalf of the Board,

T. A. CROSS
President

May 31, 1971

DELTA ELECT

CONSOLIDATED STATEMENT OF FIN

	December 31, 1970	April 30, 1970
CURRENT ASSETS		
Cash	\$ 26,748	47,878
Short-term investments, at cost	176,648	123,883
Accounts receivable	445,404	263,989
Inventories, at lower of cost or net realizable value	338,413	406,533
Prepaid expenses and deposits	2,838	4,161
Current maturity on note receivable	36,532	32,477
	<u>1,026,583</u>	<u>878,921</u>
Less		
CURRENT LIABILITIES		
Accounts, payable and accrued	82,578	67,294
Income and other taxes	45,686	6,994
Dividend payable	25,968	—
Due to affiliated company	18,429	—
	<u>172,661</u>	<u>74,288</u>
WORKING CAPITAL	<u>853,922</u>	<u>804,633</u>
Note receivable (Note 2)	200,487	230,100
Fixed assets, net (Note 3)	153,654	157,784
TOTAL INVESTMENT	<u>1,208,063</u>	<u>1,192,517</u>
Less		
6% mortgage due 1985	13,723	14,445
Deferred income taxes	20,074	22,155
SHAREHOLDERS' EQUITY	<u>\$1,174,266</u>	<u>1,155,917</u>

Signed on behalf of the Board:

T. A. CROSS, Director.

G. A. ALLARD, Director.

ONICS LIMITED

IAL POSITION AS AT DECEMBER 31, 1970

	December 31, 1970	April 30, 1970
SHAREHOLDERS' EQUITY		
Derived from:		
Capital stock		
Authorized		
880 5% non-cumulative, non-voting redeemable (at \$11) preference shares with a par value of \$10 each		
1,000,000 common shares of no par value		
Issued		
519,370 common shares	\$ 520,508	520,508
Excess of appraisal value of fixed assets over cost, less amounts transferred (Note 3)	10,364	13,326
Contributed surplus (government grants)	6,614	4,800
Retained earnings in use in the business (Note 4)	636,780	617,283
TOTAL SHAREHOLDERS' EQUITY	\$1,174,266	1,155,917

Auditor's Report

To The Shareholders
Delta Electronics Limited

We have examined the consolidated statement of financial position of Delta Electronics Limited and its subsidiary as at December 31, 1970 and the consolidated statements of income and retained earnings and source and application of funds for the eight months then ended. Our examination of the financial statements of Delta Electronics Limited and its subsidiary included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the eight months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 12, 1971

RIDDELL, STEAD & CO.
Chartered Accountants

DELTA ELECTRONICS LIMITED

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1970

	Eight Months Ended December 31, 1970	Twelve Months Ended April 30, 1970
REVENUE		
Sales	\$1,013,624	\$1,449,003
Interest and other income	18,994	16,030
	<u>1,032,618</u>	<u>1,465,033</u>
COSTS AND EXPENSES		
Costs of products sold	611,384	876,288
Selling, general and administrative and research expenses . .	178,675	272,450
Remuneration of directors and senior officers	63,570	100,140
Depreciation	20,031	28,687
Income taxes	79,936	92,283
	<u>953,596</u>	<u>1,369,848</u>
EARNINGS BEFORE EXTRAORDINARY ITEMS	79,022	95,185
Extraordinary items (Note 5)	10,549	35,710
NET EARNINGS	68,473	59,475
Retained earnings at beginning of period	617,283	605,303
Transfer from excess of appraised value of fixed assets over cost (Note 3)	2,961	4,442
	<u>688,717</u>	<u>669,220</u>
Dividends on common shares	51,937	51,937
RETAINED EARNINGS AT END OF PERIOD	<u>\$ 636,780</u>	<u>\$ 617,283</u>
Earnings per common share		
Earnings before extraordinary items	<u>\$.15</u>	<u>\$.18</u>
Net earnings	<u>\$.13</u>	<u>\$.12</u>

DELTA ELECTRONICS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1970

	Eight Months Ended December 31, 1970	Twelve Months Ended April 30, 1970
SOURCE OF FUNDS		
From operations		
Net earnings	\$ 68,473	59,475
Non-cash charges to operations		
Depreciation	20,031	28,687
Deferred income taxes	(2,081)	1,088
	86,423	89,250
Reduction of note receivable and employee mortgage	29,613	15,000
Government grant	1,814	4,800
Proceeds on disposal of fixed assets	—	105,810
Realization of premium on shares sold	—	92,035
	117,850	306,895
APPLICATION OF FUNDS		
Additions to fixed assets	15,902	27,468
Reduction in long-term debt	722	1,107
Dividends on common shares	51,937	51,937
Note receivable	—	230,100
	68,561	310,612
INCREASE (DECREASE) IN WORKING CAPITAL	49,289	(3,717)
Working capital at beginning of period	804,633	808,350
WORKING CAPITAL AT END OF PERIOD	\$ 853,922	804,633

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE EIGHT MONTHS ENDED DECEMBER 31, 1970**

1. ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the company and its operating subsidiary. Current assets and current liabilities of its subsidiary have been converted into Canadian dollars at the approximate rate of exchange in effect at December 31, 1970. Other assets and liabilities of the subsidiary have been converted at rates of exchange in effect at the dates on which the assets were acquired or the liabilities incurred. Operating accounts have been converted at average rates of exchange in effect throughout the financial period.

During 1970 the company changed its financial year end from April 30 to December 31. As a consequence comparative income figures in these financial statements are for the twelve months ended April 30, 1970.

2. NOTE RECEIVABLE

The note receivable is repayable \$50,000 annually (including principal and interest), matures December 12, 1975 and is secured by all of the issued shares of a former subsidiary.

3. FIXED ASSETS

	December 31, 1970			April 30, 1970
Description	Book Value	Accumulated Depreciation	Net	Net
Land and buildings	\$ 30,716	5,890	24,826	24,893
Machinery and equipment	252,213	135,956	116,257	119,640
Leasehold improvements	17,897	5,326	12,571	13,251
	<u>\$300,826</u>	<u>147,172</u>	<u>153,654</u>	<u>157,784</u>

Fixed assets of the company are valued at amounts determined by Cooper Appraisals Limited in 1962 with subsequent additions at cost and fixed assets of the subsidiary are valued at cost. These fixed assets are being depreciated on a straight line basis over their estimated useful lives.

The excess of appraisal value of fixed assets over cost is being transferred to retained earnings on a straight line basis at 10% per annum.

4. DIVIDEND RESTRICTION

\$155,564 of consolidated retained earnings represents earnings of a subsidiary which have not been remitted to Canada. Dividend payments from the subsidiary company are subject to foreign withholding taxes.

As the amount of earnings which may be remitted in the future and withholding taxes which will be applicable thereto are not known, such taxes will be reflected in consolidated income only at the time of actual dividend remittance to the company.

5. EXTRAORDINARY ITEMS

The extraordinary items relate, for the eight months ended December 31, 1970 to an exchange loss, resulting from the freeing of the Canadian dollar at May 31, 1970, on the conversion of the accounts of the company's foreign subsidiary and for the year ended April 30, 1970 to customs assessments, net of an income tax credit of \$5,800.

6. COMMITMENTS

The company has undertaken to purchase equipment for resale in the amount of \$50,000 annually to 1975.

Annual rental under a long-term lease, which will expire in 1983, amounts to approximately \$20,000.